

Fruitland Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2008

Fruitland Township

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As management of Fruitland Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Fruitland Township for the fiscal year ended March 31, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The General Fund fund balance increased \$137,028.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The Township does not currently have any business-type activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Fruitland Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Building and Site Fund, which are considered major funds.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the General Fund and Building and Site Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Fruitland Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2008, the Township's net assets from governmental activities totaled \$2,354,401.

The decrease in capital assets when compared to the prior year is due primarily to depreciation exceeding capital asset additions as the Township did not make any major capital additions this year. The increase in current assets and other assets reflects the increase in net assets. Current liabilities increased because the Township had a payable for road improvements outstanding at year end. This liability has been resolved subsequent to year end.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,349,428. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	Governmental Activities	
	2008	2007
Current assets and other assets	\$ 1,398,842	\$ 1,234,205
Capital assets	1,004,973	1,022,613
Total assets	2,403,815	2,256,818
Current liabilities	49,414	17,088
Net assets		
Invested in capital assets	1,004,973	1,022,613
Unrestricted	1,349,428	1,217,117
Total net assets	\$ 2,354,401	\$ 2,239,730

Governmental Activities

Charges for services decreased due to fewer lot sales and burials at the cemetery and less permit and zoning activity. Capital grants and contributions decreased as the Township's grant for the channel project was mostly completed in the prior year. Property tax revenue is up this year compared to the prior year because of growth in the Township and increased taxable value. Unrestricted investment earnings are up because of higher cash balances. General government expenditures decreased due to lower attorney expense, assessor costs, fewer elections and some cost controlling measures. Public works expenses increased because the Township did additional road work this year. Culture and recreation expenses decreased because of work done on the Township's five year plan in the prior year and the Blueberry Festival was scaled back this year. The following table depicts these occurrences.

Change in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues		
Charges for services	\$ 210,327	\$ 242,648
Operating grants and contributions	13,351	16,113
Capital grants and contributions	1,140	36,960
General revenues		
Property taxes	312,642	293,602
Franchise fees	17,393	17,378
Grants and contributions not restricted	357,944	356,129
Unrestricted investments earnings	75,949	69,479
Miscellaneous	1,265	309
Gain on sale of capital assets	135	-
Total revenues	990,146	1,032,618
Expenses:		
General government	448,020	504,553
Public safety	224,214	235,362
Public works	134,281	83,706
Community and economic development	20,612	24,288
Culture and recreation	48,348	65,672
Total expenses	875,475	913,581
Change in net assets	114,671	119,037
Net assets - Beginning, as restated	2,239,730	2,120,693
Net assets - Ending	\$ 2,354,401	\$ 2,239,730

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Fruitland Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, the Township's governmental funds reported a combined unreserved fund balance of \$1,322,913. This number represents the unreserved fund balance of \$1,258,437 in the General Fund and \$64,476 in the Building and Site Fund. The unreserved balance represents what is available for spending at the Township's discretion. The Township does not have any fund balance that is reserved, which means that all fund balance is available for new spending. However, the Township Board has designated \$814,104 of the unreserved balance for various future projects. The General Fund had an increase in fund balance for the 2008 fiscal year of \$137,028 as compared to an increase of \$11,505 in the previous year.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The only significant change was that road construction and maintenance expenditures was amended from \$33,000 to \$183,000 because at the close of the fiscal year, the Township board budgeted to add to the road construction and maintenance designated fund balance.

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Intergovernmental revenues – State is \$13,881 under budget as state revenue sharing was weaker than expected.
- Investment earnings revenue is \$22,690 over budget because the Township was able to invest in Certificates of Deposit which paid a higher rate.
- Legislative expenditures are \$19,979 less than budgeted because the budget reflected the maximum amount for benefits. Those receiving said benefits did not choose to accept the maximum amount.
- Professional services expenditures are \$17,414 less than budgeted because of a resolution to a lawsuit.
- Building inspections expenditures are \$14,692 less than budgeted because of a downturn in construction in the township.
- Road construction and maintenance expenditures are \$124,496 less than budgeted because the Muskegon County Road Commission was unable to participate with the Township in this fiscal year to rebuild Orshal Road.
- Capital outlay expenditures are \$10,535 less than budgeted because replacement of a truck during the year was delayed as specifications were created.

Capital Assets

Fruitland Township's investment in capital assets for its governmental activities as of June 30, 2008 totaled \$1,004,973 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment and vehicles.

Fruitland Township's capital asset additions during fiscal year 2008 included a furnace for \$2,585, election equipment for \$4,492, and Mobi mats for \$3,500. Some equipment and a vehicle were disposed of during the year. Depreciation expense for the year was \$28,217.

Capital Assets

	Governmental Activities	
	2008	2007
Land	\$ 425,484	\$ 425,484
Buildings and improvements	470,908	481,233
Equipment and vehicles	108,581	115,896
Total	<u>\$ 1,004,973</u>	<u>\$ 1,022,613</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 67% of the General Fund's revenue sources. In fiscal 2009, both state revenue sharing and property taxes are expected to remain consistent with fiscal year 2008.

The Township expects General Fund expenditures for operations in fiscal year 2009 to remain approximately the same as fiscal year 2008. In light of both the national and state economy and the resulting uncertainty of state-shared revenues, Fruitland Township has limited its 2008-2009 major projects to the resurfacing of 2.5 miles of Orshal Road. This project will be done in conjunction with the Muskegon County Road Commission and will cost Fruitland Township over \$300,000, which will be paid from funds set aside for road improvements. The Township also plans to spend less than \$40,000 for the purchase of a truck which will be added to the fleet. This purchase will be paid from funds set aside for equipment replacement.

Requests for Information

This financial report is designed to provide a general overview of Fruitland Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fruitland Township, 4545 Nestrom Road, Whitehall, MI 49461 (231) 766-3208.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 29, 2008

Board of Trustees
Fruitland Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fruitland Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fruitland Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fruitland Township, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vi and 18 - 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Fruitland Township
STATEMENT OF NET ASSETS
 March 31, 2008

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and investments	\$ 1,281,012
Receivables	
Accounts	14,992
Property taxes	16,487
Special assessments	6,703
Due from other governmental units	<u>59,836</u>
Total current assets	1,379,030
 NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	425,484
Depreciable	579,489
Special assessments receivable	<u>19,812</u>
Total noncurrent assets	<u>1,024,785</u>
Total assets	2,403,815
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	<u>49,414</u>
 NET ASSETS	
Invested in capital assets	1,004,973
Unrestricted	<u>1,349,428</u>
Total net assets	<u><u>\$ 2,354,401</u></u>

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2008

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense)
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Revenue and Changes in Net Assets</u>
Governmental activities					
General government	\$ 448,020	\$ 15,235	\$ -	\$ -	\$ (432,785)
Public safety	224,214	110,377	3,035	-	(110,802)
Public works	134,281	55,346	7,943	1,140	(69,852)
Community and economic development	20,612	7,625	-	-	(12,987)
Culture and recreation	48,348	21,744	2,373	-	(24,231)
Total governmental activities	<u>\$ 875,475</u>	<u>\$ 210,327</u>	<u>\$ 13,351</u>	<u>\$ 1,140</u>	(650,657)
General revenues					
Property taxes, levied for general purposes					312,642
Franchise fees					17,393
Grants and contributions not restricted to specific programs					357,944
Unrestricted investment earnings					75,949
Miscellaneous					1,265
Gain on sale of capital assets					135
Total general revenues					<u>765,328</u>
Change in net assets					114,671
Net assets at April 1, 2007, as restated					<u>2,239,730</u>
Net assets at March 31, 2008					<u>\$ 2,354,401</u>

The accompanying notes are an integral part of this statement.

Fruitland Township
BALANCE SHEET
 Governmental Funds
 March 31, 2008

	General Fund	Building and Site Fund	Total governmental funds
ASSETS			
Cash and investments	\$ 1,216,536	\$ 64,476	\$ 1,281,012
Receivables			
Accounts	14,992	-	14,992
Property taxes	16,487	-	16,487
Special assessments	26,515	-	26,515
Due from other governmental units	59,836	-	59,836
Total assets	<u>\$ 1,334,366</u>	<u>\$ 64,476</u>	<u>\$ 1,398,842</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 48,079	\$ -	\$ 48,079
Accrued liabilities	1,335	-	1,335
Deferred revenue	26,515	-	26,515
Total liabilities	75,929	-	75,929
Fund balances			
Unreserved			
Designated, reported in General Fund for:			
Road construction and maintenance	550,728	-	550,728
Public works - utilities	109,300	-	109,300
Right of way	26,526	-	26,526
Equipment replacement	112,500	-	112,500
Recreation - Blueberry Festival	15,050	-	15,050
Undesignated, reported in			
General Fund	444,333	-	444,333
Special revenue funds	-	64,476	64,476
Total fund balances	<u>1,258,437</u>	<u>64,476</u>	<u>1,322,913</u>
Total liabilities and fund balances	<u>\$ 1,334,366</u>	<u>\$ 64,476</u>	<u>\$ 1,398,842</u>

The accompanying notes are an integral part of this statement.

Fruitland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2008

Total fund balance—governmental funds	\$	1,322,913
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,410,977	
Accumulated depreciation	<u>(406,004)</u>	1,004,973

Special assessment revenue is not recognized until it is receivable in the current
period and therefore is shown as deferred revenue in the governmental funds.

		<u>26,515</u>
Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>2,354,401</u></u>

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2008

	General Fund	Building and Site Fund	Total governmental funds
REVENUES			
Property taxes	\$ 312,642	\$ -	\$ 312,642
Licenses and permits	123,123	-	123,123
Intergovernmental revenues - State	369,972	-	369,972
Charges for services	98,071	-	98,071
Fines and forfeitures	130	-	130
Investment earnings	72,766	3,183	75,949
Other	16,783	45	16,828
	<u>993,487</u>	<u>3,228</u>	<u>996,715</u>
Total revenues			
EXPENDITURES			
Current			
General government	393,551	-	393,551
Public safety	222,584	-	222,584
Public works	130,283	-	130,283
Community and economic development	20,612	-	20,612
Culture and recreation	47,401	-	47,401
Other governmental functions	30,598	-	30,598
Capital outlay	11,565	1,242	12,807
	<u>856,594</u>	<u>1,242</u>	<u>857,836</u>
Total expenditures			
Excess of revenues over expenditures	136,893	1,986	138,879
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	135	-	135
	<u>137,028</u>	<u>1,986</u>	<u>139,014</u>
Net change in fund balances			
Fund balances at April 1, 2007	1,121,409	62,490	1,183,899
Fund balances at March 31, 2008	<u>\$ 1,258,437</u>	<u>\$ 64,476</u>	<u>\$ 1,322,913</u>

The accompanying notes are an integral part of this statement.

Fruitland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2008

Net change in fund balances—total governmental funds	\$	139,014
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(28,217)	
Capital outlay		<u>10,577</u>	(17,640)

Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.

(6,703)

Change in net assets of governmental activities

\$ 114,671

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 March 31, 2008

	<u>Escrow Fund</u>	<u>Current Tax Fund</u>	<u>Total Agency funds</u>
ASSETS			
Cash and investments	\$ 20,121	\$ 2,373	\$ 22,494
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Deposits held for others	\$ 20,121	\$ 621	\$ 20,742
Due to other governmental units	<u> </u>	<u> </u>	<u> </u>
	-	1,752	1,752
	<u> </u>	<u> </u>	<u> </u>
	\$ 20,121	\$ 2,373	\$ 22,494
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of this statement.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fruitland Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a common law township governed by an elected seven-member board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building and Site Fund is used to account for revenues designated by the Township for future capital projects.

Additionally, the Township reports the following fund type:

The fiduciary fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and Township intends to hold the investment until maturity.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Deposits and Investments—Continued

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$234,670,000. The ad valorem taxes levied consisted of .914 mills for the Township's operating purposes. This amount is recognized in the General Fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-60
Equipment	3-10
Vehicles	5-10

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Budgetary Information—Continued

- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$395,536 of the Township's bank balance of \$1,326,386 was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Capital assets, not being depreciated:				
Land	\$ 425,484	\$ -	\$ -	\$ 425,484
Capital assets, being depreciated:				
Buildings and improvements	663,759	-	-	663,759
Equipment and vehicles	324,158	10,577	13,001	321,734
Total capital assets, being depreciated	987,917	10,577	13,001	985,493
Less accumulated depreciation:				
Buildings and improvements	182,526	10,325	-	192,851
Equipment and vehicles	208,262	17,892	13,001	213,153
Total accumulated depreciation	390,788	28,217	13,001	406,004
Total capital assets, being depreciated, net	597,129	(17,640)	-	579,489
Capital assets, net	\$ 1,022,613	\$ (17,640)	\$ -	\$ 1,004,973

Depreciation

Depreciation expense was charged to functions of the Township as follows:

General government	\$ 20,045
Public safety	1,630
Public works	3,998
Culture and recreation	2,544
	<u>\$ 28,217</u>

NOTE E—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue, which represented unavailable revenue reported in the governmental funds were for special assessments in the amount of \$26,515.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE F—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The County of Muskegon issued a \$7,900,000 Water Supply System Bond in 2006 to fund improvements to the Northside Water System which included part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2008 was \$1,867,200, or 24 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Jointly Governed Entities

White Lake Ambulance Authority

The Township, in conjunction with seven other governmental entities, created the White Lake Ambulance Authority. The Authority was formed to jointly provide emergency medical services within the combined service area, which encompasses the participating municipalities. The administrative board of the Authority is comprised of one representative from each participating municipality. No participant has any obligation, entitlement, or residual interest. During the year ended March 31, 2008, the Township made no contributions to the Authority.

White Lake Fire Authority

The Township, in conjunction with two other governmental entities, created the White Lake Fire Authority. The Authority was formed to jointly provide fire protection and rescue services within the combined service area, which encompasses the participating municipalities. The administrative board of the Authority is comprised of one representative from each participating municipality. No participant has any obligation, entitlement, or residual interest. During the year ended March 31, 2008, the Township made no contributions to the Authority. The Township rents certain facilities to the Authority. During the year ended March 31, 2008, the Township received \$7,956 in rental payments.

NOTE G—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township utilizes Nationwide Trust Company, FSB to provide this benefit and is required to contribute an amount equal to 15 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2008, pension expenditures were approximately \$41,500.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 36 percent of General Fund revenues.

NOTE I—SUBSEQUENT EVENTS

On April 1, 2008, the County of Muskegon issued a \$9,215,000 Water Supply System Bond to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt is \$2,303,750, or 25 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

In July 2008, the Township approved a contract of approximately \$345,000 for road improvements. The commitment will be funded with available General Fund resources.

NOTE J—PRIOR PERIOD ADJUSTMENT

The governmental activities capital assets were restated to remove road assets not owned by the Township.

Net assets at April 1, 2007	\$ 2,382,439
Capital assets, net	<u>(142,709)</u>
Net assets at April 1, 2007, restated	<u>\$ 2,239,730</u>

REQUIRED SUPPLEMENTARY INFORMATION

Fruitland Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2008

	Budgeted Amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 310,500	\$ 314,732	\$ 312,642	\$ (2,090)
Licenses and permits	135,000	125,456	123,123	(2,333)
Intergovernmental revenues - State	376,000	383,853	369,972	(13,881)
Charges for services	103,700	99,135	98,071	(1,064)
Fines and forfeitures	100	100	130	30
Investment earnings	50,000	50,076	72,766	22,690
Other	14,795	20,708	16,783	(3,925)
Total revenues	990,095	994,060	993,487	(573)
EXPENDITURES				
Current				
General government				
Legislative	82,406	88,342	68,363	19,979
Supervisor	44,895	44,895	42,738	2,157
Election	7,400	12,001	14,546	(2,545)
Assessor	48,000	48,000	44,900	3,100
Clerk	49,876	49,876	48,339	1,537
Board of Review	1,710	1,710	858	852
Treasurer	51,532	46,512	45,412	1,100
Hall and grounds	39,766	40,024	32,104	7,920
Township property	51,777	52,777	45,122	7,655
Cemetery	11,946	11,446	8,333	3,113
Professional services	60,200	60,250	42,836	17,414
Public safety				
Law enforcement	45,584	45,684	43,820	1,864
Building inspections	193,456	193,456	178,764	14,692
Public works				
Road construction and maintenance	33,000	183,000	58,504	124,496
Street lighting	14,800	14,800	14,969	(169)
Lake maintenance	9,800	9,800	1,140	8,660
Sanitation	51,550	54,100	55,670	(1,570)
Community and economic development				
Planning	27,470	30,120	20,612	9,508
Culture and recreation				
Museum	44,934	44,934	37,179	7,755
Blueberry Festival	9,000	9,000	1,957	7,043
Parks	14,910	16,810	8,265	8,545
Other governmental functions	31,203	33,000	30,598	2,402
Capital outlay	17,100	22,100	11,565	10,535
Total expenditures	942,315	1,112,637	856,594	256,043
Excess of revenues over (under) expenditures	47,780	(118,577)	136,893	255,470
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	100	135	135	-
Net change in fund balances	\$ 47,880	\$ (118,442)	137,028	\$ 255,470
Fund balance at April 1, 2007			1,121,409	
Fund balance at March 31, 2008			\$ 1,258,437	

Fruitland Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Building and Site Fund
For the year ended March 31, 2008

	Budgeted Amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	\$ -	\$ 25	\$ 3,183	\$ 3,158
Other	-	45	45	-
Total revenues	-	70	3,228	3,158
EXPENDITURES				
Capital outlay	5,000	5,000	1,242	3,758
Net change in fund balances	\$ (5,000)	\$ (4,930)	1,986	\$ 6,916
Fund balance at April 1, 2007			62,490	
Fund balance at March 31, 2008			\$ 64,476	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

September 29, 2008

Board of Trustees
Fruitland Township
Muskegon, Michigan

In planning and performing our audit of the financial statements of the Fruitland Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Fruitland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: All journal entries should have documented approval by an appropriate Township official.

During our testing, we noted that documented proper approval of journal entries did not exist for all journal entries.

The maintenance of files with documented approval of all journal entries would reduce the possibility of an inaccurate or inappropriate journal entry being made.

Recommendation 2: In order to further segregate duties, bank statements should be received directly by a responsible individual other than the Treasurer prior to the bank reconciliation being performed.

During our testing, we noted that bank statements are received by the Treasurer without prior review by a responsible individual. The Treasurer performs the monthly bank reconciliation procedure.

The review of bank statements by a responsible individual prior to the bank reconciliation procedure would increase the Township's ability to isolate any significant errors or irregularities within the cash function by investigating any unusual items contained in the bank statements.

Recommendation 3: A review and approval of the Township's monthly bank reconciliations should be performed.

Presently, the Township's monthly bank reconciliations are not reviewed and approved by another Township official.

The review and approval of bank reconciliations would reduce the possibility of a bank reconciliation not being done correctly, timely, or agreed to the general ledger and would reduce the opportunity for errors or misappropriations of funds to go undetected.

Recommendation 4: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.